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Internal audit and oversight

UNOPS: Report of the UNDP Office of Audit and Performance Review to the UNOPS Executive Director on internal audit services in 2004*

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* The compilation of data required to present the Executive Board with the most current information has delayed submission of the present document.

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I. Introduction and internal audit resources

1. The UNDP Office of Audit and Performance Review (OAPR) is pleased to provide the Executive Director of UNOPS with the annual report on internal audit and investigation services for the year 2004.

2. The internal audit of UNOPS operations is being carried out by OAPR pursuant to the memorandum of understanding between UNOPS and UNDP effective 1 January 1997 and in accordance with UNDP financial rule 103.02 applicable, mutatis mutandis, to the internal audit of UNOPS operations.

3. In 2004, OAPR continued to go through a change management process as a result of its repositioning exercise, which had started in late 2003. During the first 10 months of the year, the post of OAPR director remained vacant, and the chief of the Internal Audit Section was temporarily designated as the officer-in-charge. The new Director assumed her functions starting in November 2004.

4. Within OAPR, the Project Services Audit Section (PSAS) carries out the provision of internal audit services to UNOPS. During 2004, the post of PSAS chief remained vacant (the post has not been filled since August 2002, upon the request of UNOPS management) and one of the audit specialists continued to act as chief, a.i., of the section. In recent discussions between the new UNOPS Executive Director and the new OAPR Director, it was agreed to fill the post of PSAS chief in 2005. PSAS has seven authorized posts as shown in table 1 below.

Table 1. PSAS staffing as at 31 December 2004

Functional title	Authorized	Encumbered
Chief	1	-
Audit specialists	5	4
Assistant	1	1
Total	7	5

II. Implementation of the annual audit plan

5. OAPR continued its strategy of preparing an annual audit work plan on the basis of a risk-based planning process. As in previous years, the audit work plan in 2004 considered risk areas that were determined based on a number of factors, including: (a) risk factors, such as delivery or volume of operations, staffing size, location of the unit, and previous audits; (b) other factors external to UNOPS but which may have an impact on the work of the organization, such as General Assembly resolutions, recent events that affect governance, and oversight mechanisms in the United Nations organizations; (c) the business trend for the nature of UNOPS operations; and (d) priorities that were determined during the OAPR management planning meeting.

6. Preparations for the audit work plan for 2004 were also based on consultations with UNOPS senior management and other key officials of the organization. In addition, the scope of the audit work plan took into consideration the UNOPS organizational restructuring; the implementation of the Atlas financial, project and human resources information system; and observations by the United Nations Board of Auditors in their external audit work.

7. In line with the approved audit work plan for 2004 and considering the ad hoc audit requests from UNOPS management during the reporting year, OAPR initiated and conducted a total of 20 internal audits and reviews. The audits and reviews cover operational activities at headquarters and in the field, including those under management and other support services arrangements (MSAs), as shown in table 2.

Table 2. Internal audits provided in 2004 by type of audit

Type of audit	In process 01/01/04	Audits initiated	Final reports issued	In process 31/12/04
Management or functional audit of programme/project or group of projects (PA)	1	-	1	-
Management audit of headquarters or field organizational unit (MA), functional audit of functions in headquarters or field unit (FA) and informatics audit (IT)	1	6	5	2
Management review (MR)		2		2
Special or limited scope audit (SA)	-	2	2	-
Financial statement audit (FSA)	2	6	8	-
Total	4	16	16	4

III. Audit of organizational units, functions and project activities

8. Pursuant to Executive Board decision 2004/39 on internal audit and oversight, the significant issues identified in the internal audit reports issued in 2004 are presented in tabular form, in annexes 2 and 3 of the present document. The concerned UNOPS organizational units provided their strategy in addressing the issues, which include the time frame and the indicator of progress or completion. The significant issues addressed are presented by the type of the audit carried out, as described in the succeeding paragraphs.

9. The table of significant issues relating to the audit of a field organizational unit and functions in headquarters is presented as annex 2. Two audits were conducted under this category:

(a) The UNOPS operational activities in Nairobi, Kenya. The report does not contain the standard audit opinion because of the consultative, forward-looking approach that was used. The audit was carried out at a time of transition and change in the context of UNOPS organizational reform. At that time, the structure and practices of the regional office in Nairobi were going through changes considering the adoption of a revised structure for UNOPS as a whole, and for the regional office in particular.

(b) The audit of the UNOPS Procurement Review and Advisory Committee, in which OAPR considers the overall level of internal control to be satisfactory.

10. The table of significant issues relating to special audits of projects executed or implemented by UNOPS is presented as annex 3. Special audits are carried out for assignments relating to a limited-scope review (such as, on a specific contract or activity), or those requiring a preliminary review of allegations involving financial recovery. The report does not contain a standard audit opinion on these, because of the nature of the work carried out. Two audits were conducted under this category:

(a) The UNOPS execution of the UNDP project 'Africa-Asia Business Forum III', INT/02/906 and INT/02/923. The audit was limited to a review of two contracts entered into by UNOPS with two firms.

(b) The UNOPS execution of the project component 'Women's Political Participation Programme', under the UNDP 'Gender Equality Umbrella Project', PAK/99/005. The audit was limited to a review of activities under one contract following an assessment report prepared by a fact-finding mission.

11. A desk audit of the liquidation of UNOPS activities in Northern Iraq was carried-out in early 2004. In view of the specific purpose and nature of the audit, as well as its timing (activities had all been completed and delivered at the time of the audit), the results of the audit do not fall within the OAPR definition of standard audit ratings. Further, a table to indicate the UNOPS strategy in addressing issues would not apply in this case. We noted in our audit that the procedures for the closure of the imprest, petty cash and advances-recoverable-locally accounts were executed in line with applicable policies and procedures. The copies of handover documents for the transfer of assets, facilities and installations were properly prepared and signed indicating agreement and acceptance of the inventory by the recipients. However, the accuracy of the inventory handed over to the Coalition Provisional Authority was not verified due to our inability to travel to Iraq to conduct a field audit, for security reasons.

IV. Financial statement audit of MSA project activities

MSAs financed by the World Bank

12. As in previous years, OAPR conducted financial statement audits of MSA activities implemented by UNOPS under letters of agreement between the borrowing governments and UNDP with respect to activities financed from World Bank loans. In 2004, audits were undertaken for four MSA activities, with total expenditure of $10.6 million in 2003.

13. In the financial statement audit reports, OAPR expressed an opinion that the "[UNOPS] financial statements present fairly the financial position [...] as at 31 December 2003 and the results for the financial period then ended. The transactions were in accordance with the relevant legislative authority in all material respects".

MSA financed by the International Fund for Agricultural Development

14. OAPR carried out a financial statement audit of the MSA project SOM/01/R74, financed by the International Fund for Agricultural Development (IFAD). The total expenditure for each year 2001, 2002 and 2003 amounted to $266 thousand, $1.2 million and $1.1 million, respectively. The audit was conducted as required by the MSA and related financing agreement between IFAD and UNOPS.

15. For the activity year 2003, the opinion was expressed that the "financial statements present fairly the financial position [...] as at 31 December 2003 and the results for the financial period then ended. The transactions were in accordance with the relevant legislative authority in all material respects".

16. For the activity years 2001 and 2002, the opinion was expressed that the financial statements present fairly the financial position of the activities as at 31 December 2002 and the results for the financial period then ended. However, in

respect of the transactions being in accordance with the relevant legislative authority in all material respects, the following exceptions were noted:

(a) For the activity year 2001, the management fee shown in the financial statements of $67,768 is not in line with the pertinent stipulation of the MSA; and

(b) For the activity years 2001 and 2002, the accompanying financial statements show a negative balance of funds of $62,027 as at 31 December 2001 and $1,109,253 as at 31 December 2002. This practice is contrary to UNOPS financial regulation 5.5, which states that UNOPS "shall ensure that all expenditures for foreseen project activities do not exceed funds received". The operational division commented, "regarding the fact that we incurred expenditures in excess of contributions received, this was based on an official request from IFAD, which included confirmation that all such expenditures we would incur in line with approved work plan would be reimbursed by IFAD". In a subsequent communication, IFAD agreed to "reimburse UNOPS for any expenditures incurred [...] that surpass previous provided advance funding, with the understanding that implementation is to be undertaken in accordance with the draft MSA and Financing Agreement". The exception was addressed during the activity year 2003.

MSAs financed by the Common Fund for Commodities

17. Financial statement audits were carried out for the MSA projects RAF/99/R71, RAF/00/R71, URT/99/R71, URT/00/R71, UGA/99/R71, UGA/00/R71 and ZIM/00/R71, which are financed by the Common Fund for Commodities (CFC). The audits were performed as required under each of the Project Implementation Agreements between UNOPS and the collaborating institutions representing the Governments of the three participant countries, Tanzania, Uganda and Zimbabwe.

18. For the MSA project activities financed by the CFC, OAPR was unable to render an opinion on the fairness of presentation of financial statements. The main reason for this is the inability of UNOPS to provide OAPR with the certified, signed financial statements for the projects concerned.

19. The table of significant issues – which were drawn from the above financial statements audits of MSAs financed by the World Bank, IFAD and the CFC – is presented in annex 4.

V. Investigations

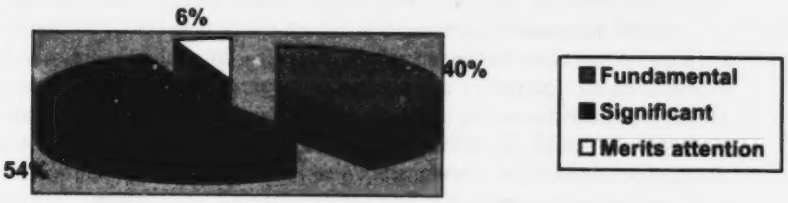
20. In 2004, the United Nations Office of Internal Oversight Services forwarded to OAPR two cases for investigation that pertain to UNOPS operations. The results of the preliminary review and investigation revealed that the allegations could not be substantiated and that there was no evidence of misconduct or violation of rules. Both cases were subsequently closed.

VI. Overview of audit recommendations

21. The audit reports issued in 2004 contained a total of 72 recommendations, which were made to improve internal controls and organizational efficiency. Figure 1, on page 6, shows the categorization of the recommendations by level of importance in order to

assist management in prioritizing the implementation of action to address them. In this connection, a total of 29 recommendations, or 40%, are deemed fundamental; 39 recommendations, or 54%, are deemed significant; and four recommendations, or 6%, are deemed to merit attention.

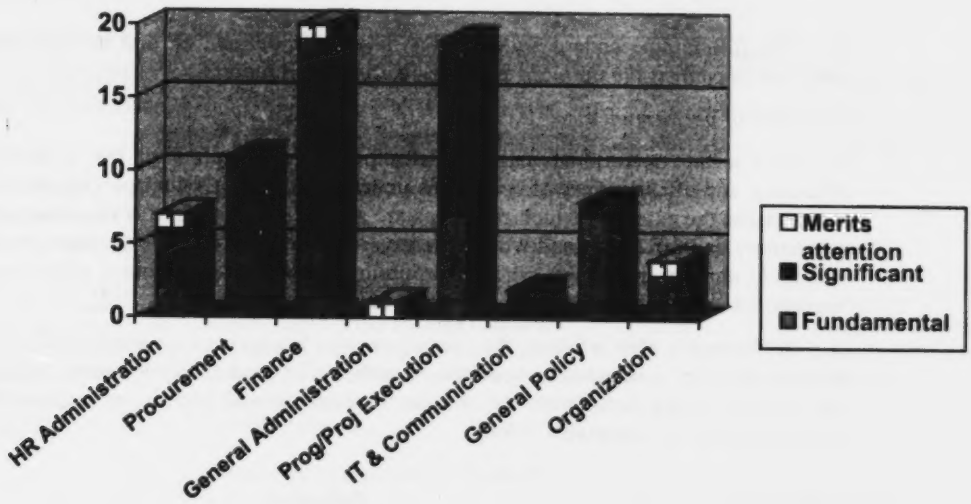
Figure 1. Categorization of recommendations by level of importance



Fundamental	Action that is deemed imperative to ensure that UNOPS is not exposed to high risks (that is, failure to take action could result in critical or grave consequences for the organization).
Significant	Action that is deemed necessary to avoid exposure to significant risks (that is, failure to take action could have an adverse effect in the achievement of objectives).
Merits attention	Action that is deemed desirable and should result in enhanced control or better value for money.

22. Figure 2, on page 7, shows the distribution of recommendations by impact area, which, coupled with the level of importance, would provide information on the areas that need to be addressed by management. In this regard, the areas of policy, finance and project/programme execution, which are considered fundamental, have the greatest number of audit recommendations.

Figure 2 - Distribution of recommendations by impact area and level of importance



Impact area	Level of importance			
	Fundamental	Significant	Merits attention	Total
Human resources administration	2	4	1	7
Procurement	5	6	-	11
Financial resources	5	14	1	20
General administration	-	-	1	1
Project/programme execution	7	12	-	19
IT and communication	-	2	-	2
General policy	7	1	-	8
Organization	3	-	1	4
Total	29	39	4	72

23. Based on an arrangement between UNOPS and OAPR, the concerned UNOPS organizational units provided written comments on the contents of the draft audit reports, together with an account of actions taken or contemplated in order to implement the recommendations contained in the reports. We noted considerable effort on the part of several UNOPS action units to submit said comments within the time limit of a three-week period. However, for five of the total nine reports requiring written comments, the timeliness in the provision of said comments by UNOPS action units continued to exceed a reasonable time limit. As in 2003, some of the delays can be attributed mainly to the changing UNOPS organizational structure and a reduction in staffing capacity during the reporting year.

24. UNOPS provided comments on 61 of the 72 recommendations. In general, the comments indicated that actions have been taken or are being taken to address the audit issues and recommendations. No written comments were received for 11 of the recommendations, which will be followed up with the relevant organizational units.

Annex 1

Definitions of standard audit ratings

25. The following standard audit ratings have been defined so that management can place in context the opinions given in internal audit reports.

Definition of performance

26. Within the operational audit context, performance refers to the economy, efficiency, and effectiveness of operations under management's control. Operational audits assess the extent to which resources are acquired and utilized with due regard to economy and efficiency and whether management has put in place mechanisms to accurately monitor and assess whether programmes are meeting planned objectives. Operational audits do not report on the achievement of results.

27. Performance also refers to the manner in which activities are conducted – i.e. whether they are conducted in accordance with UNDP and UNOPS values. UNDP and UNOPS values encompass the notions of prudence and probity, as well as the necessity of taking acceptable risks.

Standard Rating	Definition
Satisfactory	In general, controls were in place to ensure that operations are economic, efficient, and effective; and that activities are conducted with due regard to UNDP and UNOPS values. Any weaknesses identified were not significant enough to compromise the overall performance and the control environment. The range of corrective actions required by management is moderate.
Partially satisfactory	The majority of key controls were applied. However, significant control weaknesses were identified. Timely corrective action by management is required to control these weaknesses.
Deficient	Control weaknesses identified were widespread or were significant enough to have a negative impact on performance. Management needs to take immediate corrective action to improve the control environment.

Annex 2
Audit of headquarters or field organizational unit and audit of functions in headquarters or field unit

Issue identified in OAPR internal audit reports in 2004	UNOPS strategy for addressing issue		
	Strategy (including UNOPS comments at the time of audit)	**Time frame**	**Indicator of progress/ completion**
Functional audit of the UNOPS Procurement Review and Advisory Committee (PRAC)			
The PRAC terms of reference should distinguish and specify the individual role and responsibilities for each of the identified voting member or participant in a committee meeting.	*"UNOPS agreed with the Office's recommendation that the PRAC terms of reference should distinguish and specify the individual role and responsibilities for each of the identified voting member or participant in a committee meeting."* *"Update relevant chapters of handbook."*	*"By end May 2005"*	*"Relevant chapters of handbook updated."*
The members of the PRAC should be appointed in writing by the Chief Procurement Officer, with their respective terms of office clearly specified. Among the appointed members, the chairperson, alternate chairperson, secretary and alternate secretary should be designated	*"UNOPS agreed with the OAPR's recommendations that: (i) the members of the PRAC should be appointed by the Chief Procurement Officer in writing with their respective terms of office clearly specified; and (ii) among the appointed members, the chairperson, alternate chairperson, secretary and alternate secretary should be designated."* *"1. Issue appointments in writing; and* *2. When contract committee structure is finalized, issue Organizational Directive."*	*"1. Completed.* *2. By end May 2005."*	*"Appointments and Organizational Directive issued."*
The PRAC guidelines in the UNOPS Handbook should be reviewed and updated within the context of including the criteria and standard requirements for each type of procurement process.	*"UNOPS agreed with the OAPR's recommendation that the PRAC guidelines in the UNOPS Handbook should be reviewed and updated within the context of including the criteria and standard requirement for each type of procurement process."* *"The PRAC guidelines in the handbook to be reviewed, and incorporated in handbook."*	*"By end May 2005"*	*"Revised guidelines posted."*
Submitting officers should attend regularly scheduled training programmes or workshops specifically on the preparation of PRAC submissions.	*"UNOPS agreed with the OAPR's recommendation that submitting officers should attend regularly scheduled training programmes or workshops specifically on the preparation of PRAC submissions."* *"The Office of Legal Services (OLS) and the Division of Procurement Services (DPS) to work together to produce training tools to implement the recommendation."*	*"Second half of 2005."*	*"Training tools in place, and a number of submitting officers trained"*

Issue identified in OAPR internal audit reports in 2004	UNOPS strategy for addressing issue		
	Strategy (including UNOPS comments at the time of audit)	**Time frame**	**Indicator of progress/ completion**
PRAC recommendations to improve processes for procurement activities should be noted, monitored and followed up for implementation.	*"UNOPS agreed with the OAPR's recommendation that PRAC recommendations to improve processes for procurement activities should be noted, monitored and followed up for implementation"* *"DPS will provide a mechanism for the monitoring and following up on PRAC recommendations."*	*"End May 2005"*	*"Monitoring and follow-up system in place."*
Management audit of the UNOPS operational activities in Nairobi, Kenya			
The issue pertains to the need to operate out of one single location in Nairobi for the regional office in East and Southern Africa (ESARO). The audit recommendation was that the options available for office accommodation should be reviewed.	*"A decision has been reached to move into an office complex just outside the UN Gigiri. This facility will accommodate the regional office and its current projects based in Nairobi. It is cost effective and within walking distance to all UNON common services facilities. [...]"* *"ESARO staff operating under one roof - several projects have also joined, hence off-setting some of the costs – full cost recovery."*	*"Sept 2004."*	*"One office location in Nairobi."*
UNOPS should establish a mechanism for regular dialogue between the regional office and clients for the provision of feedback on the quality of service it provides. (This mechanism should be additional to the day-to-day relationship the client has with the UNOPS portfolio manager, in order to allow for a frank and objective exchange of views and information).	*"A mechanism for dialogue with partners in the region and elsewhere has been established and regular meetings are taking place with our key partners and clients in Nairobi and in the region."* *"Quality of services is the cornerstone of the development of ESARO as a vibrant player in post crisis and development of the region. In Oct 04 we held our first planning and training retreat – during which we set several objectives. Chief of which was to establish standard response times. We have just held our first follow-up – in the area of finance significant improvement has been achieved through the establishment of an effective monitoring system – focus is now including human resources, ICT and procurement."*	*"Oct 2004, Mar, Jul and Oct 2005. Ongoing."*	*"Positive trends in the monthly review of monitoring data and client satisfaction."*

Issue identified in OAPR internal audit reports in 2004	UNOPS strategy for addressing issue		
	Strategy (including UNOPS comments at the time of audit)	Time frame	Indicator of progress/ completion
UNOPS should seek opportunities to inform existing and potential clients of the capabilities and capacity UNOPS has in the region.	*"[...] this is one of the priority areas for the new senior management team. The decision to establish a regional office in Nairobi and appoint a regional manager was a step in that direction. [...] A decision was taken to develop a brochure that will be circulated to all clients (past, existing and potential) in order to emphasize UNOPS capabilities as a "one-stop shop" service provider under the new regional office structure."* *"As we have developed our quality of service, we are already having more walk-in requests for our services – we are actively working with UNICEF, United Nations missions, some UNDP offices in developing possible future activities. Selective country visits are being made, with key involvement of the Executive Director and Deputy Executive Director."*	*"Ongoing"*	*"Increase in business acquisition."*
UNOPS should consider strengthening the human resources management capacity in the office with a view to consolidating and centralizing the human resources function.	*"All the human resources (HR) functions have now been centralized currently. Additional capacity may be required from headquarters (short-term input or on demand) to strengthen the office. ALD appointments will shortly be moved from New York to Geneva pending future consideration of a further move to Nairobi."* *We have established a HR working group that meets at least monthly to review various aspects of our HR processes (TOR for this group are available); we have assigned a JPO as part-time HR focal point and mentor to our HR assistant; we have agreed with our Central Africa, North Asia and Middle East Division that they will handle our ALD staff; and we are using occasional assistance for data processing in HR.*	*"Ongoing."*	*"Monthly review of monitoring tables."*
UNOPS should establish an organization chart for the regional office once the staff complement is finalized.	*"The structure and the organization chart of the regional office are being finalized."*	*"Completed."*	*"Organization chart, which has been completed."*
All job descriptions should be reviewed and updated periodically to reflect approved changes in responsibilities and reporting relationships	*"While we appreciate the comments, it should be noted that three UNOPS units in the Nairobi office existed and the job descriptions focused on the type of functions for each unit. With the establishment of the regional office the job description will be standardized and revised as per the tasks actually performed (also including titles). All job descriptions have been revised and drafts have been forwarded to headquarters for approval."* *"UNOPS-wide job descriptions, adapted to local conditions, are used for all staff;."*	*"Completed – but being improved."*	*"Revised job descriptions."*

Annex 3
Special audit of project activities executed/implemented by UNOPS

Issue identified in OAPR internal audit reports in 2004	UNOPS strategy for addressing issue		
	Strategy (including UNOPS comments at the time of audit)	**Time frame**	**Indicator of progress/ completion**
Africa-Asia Business Forum III, INT/02/906 and INT/02/923			
For similar arrangements in the future, the roles, responsibilities and accountability of the entities identified in the project document to "execute" and "implement" the related activities should be clearly established.	*"The Unit Head has been made aware of the audit recommendation and will ascertain that roles, responsibilities and accountabilities will be clearly established."*	*"Immediate."*	*"No recurrence of such unclarity".*
Background checks should be performed for all entities proposed for contracts as required by chapter 8, section 8.375 of the UNOPS Handbook.	*"Even though UNOPS has a general policy to conduct background checks, experience over many years resulted in UNOPS abandoning the Dunn & Bradstreet services as an ineffective method for checking a company's background. However, and in view of the results found by the auditors in the case of Afrifinance, it is agreed that in that case a background check should have been conducted".* *"In cases where a small and less experienced firm is contracted for the first time for an amount exceeding $100,000, we will request the latest audited financial statement and we will check the firm's performance with its previous clients."*	*"Immediate."*	*"Good performing contractors with sound financial background."*
The description of milestones and/or deliverable work included in sub-contracts should clearly and specifically identify targets and indicators against which performance can objectively be measured for monitoring and payment purposes.	*"The Unit Head has been made aware of the audit recommendation, and will ascertain that the description of milestones and/or deliverables will clearly and specifically identify targets and indicators."*	*"Immediate."*	*"No recurrence of such unclarity."*
Women's Political Participation Programme (W3P) component of the Gender Equality Umbrella Project, PAK/99/005			
The contract should be concluded and the amount due from SEC recovered as a matter of priority.	*"This recommendation is noted and UNOPS APRO [the Regional Office for Asia and the Pacific] is taking appropriate steps to terminate the contract."*	*"1) Termination Notice sent to the contractor 9 Nov.2004*	*"1) Termination of contract. 2) Refund paid to UNOPS."*

Issue identified in OAPR internal audit reports in 2004	UNOPS strategy for addressing issue		
	Strategy (including UNOPS comments at the time of audit)	**Time frame**	**Indicator of progress/ completion**
	"1) Notify contractor about termination and request to return the amount and withhold all other payments. 2) Hold meeting with contractor and other parties."	*2) Negotiation for refund to UNOPS continuing."*	
For future activities of a similar nature to W3P, portfolio managers should monitor and enforce compliance with the terms of the contract by entities engaged by UNOPS.	*"This recommendation is noted; however, it was in the process of monitoring that [...] one of the former portfolio managers for Pakistan, flagged the issue of unauthorized contractors to the Chief of Asia Office in her 'back-to-office report', dated 28 July 2003, when she returned from mission to Pakistan (12-23 July 2003). [...]. Subsequently there was ample correspondence between her and internal audit on this issue. Furthermore, one of the central issues in the draft terms of reference for the fact-finding mission (which was reviewed by UNDP internal audit) was to investigate the allegations regarding the subcontractor."* *"Project managers to monitor payments vigilantly."*	*"Continuing."*	*"1) PM to monitor progress reports by the contract. 2) Monitor Progress through back to office report."*
Steps should be initiated in order for UNDP, Ministry of Women Development (MoWD) and UNOPS to come to an agreement on the action to be taken on the balance of W3P funds that remains with MoWD.	*"1) Hold meetings with MoWD & UNDP 2) Identify balance and agree on action."*	*"Continuing in 2005."*	*"Final agreement reached."*

Annex 4
Financial statement audit of MSA project activities executed/implemented by UNOPS

Issue identified in OAPR internal audit reports in 2004	UNOPS strategy for addressing issue		
	Strategy (including UNOPS comments at the time of audit)	Time frame	Indicator of progress/ completion
Global report relating to MSAs financed by the World Bank and IFAD			
With regard to the MSA project "Réhabilitation des infrastructures, ZAI/02/RO1", the need to designate another approving officer should be addressed, as a matter of priority.	*"With establishment of ESARO [the Regional Office for East and Southern Africa], approving officers reviewed and strengthened."*	*"Oct 2004."*	*"Completed."*
UNOPS financial regulation 5.5, which states that UNOPS "shall ensure that all expenditures for foreseen project activities do not exceed funds received", should be adhered to.	*"For this [that is, ZAI/02/R01] and all projects assigned to ESARO, we have established strict controls and monitoring of expenditures – clearly Atlas is the cornerstone – in addition, we have established a back-up shadow budget system that facilitates monthly review on a project-by-project basis."*	*"Effective from Oct 2004."*	*"Monthly monitoring, restricted over-ride function."*
Concerning the MSA project "Northwestern integrated community development programme in the Somali Republic", SOM/01/R74 (activity year 2003), compliance with the procurement conditions prescribed by the financing agreement for the project and the UNOPS Handbook should be ensured.	*"Procurement working group established. Local procurement committee, Nairobi, established and operating. Regional director operating within delegated authority."*	*"Oct 2004"*	*"Weekly LPCN meetings and associated monitoring tables."*
MSAs financed by the Common Fund for Commodities (CFC), RAF/00/R71-R91			
The audit provisions stipulated in project implementation agreements should be in accordance with the UNOPS financial regulations and rules	*"UNOPS signed an audit contract with PWC at the urgent request of the CFC, which wanted to ascertain the financial position of the project in order to allocate resources for the trade finance consultant and additional funding for the extension of the project activities for the years 2004 and 2005. The CFC project was scheduled to end in September 2003, and as the*	*"Completed"*	*"Reflected in Financial Statements"*

Issue identified in OAPR internal audit reports in 2004	UNOPS strategy for addressing issue		
	Strategy (including UNOPS comments at the time of audit)	Time frame	Indicator of progress/ completion
	project closing date was imminent, the CFC insisted on an external independent audit for the expediency of the process. Bids were requested, reviewed and the final contract awarded to PWC, a process that was very transparent. A mistake was made in contracting PWC for project executing agency books, which was immediately corrected, and OAPR was contacted for an audit of its books. This observation and recommendation has, however, been noted, and future audit activities of the projects will follow UNOPS financial rules and regulations and respect the right of access to UNOPS books. The replenishment was reconciled with the local management units and will be reflected in the financial statements to be issued by the Division of Finance at headquarters."		
The internal control system provided for within the legal framework documentation should be properly set up at project inception, and the prescribed procedures should be followed throughout the implementation of the project.	*"Starting January 2004, the internal control system has been improved and streamlined, whereby only the focal points make requests and certification; monthly reconciliation of LMU expenditure is undertaken; and any differences are addressed and reconciled immediately before the reimbursement can be made. "*	*"Ongoing"*	*"Monthly review of ESARO financial reports."*
Project expenditure should be monitored on a regular basis to ensure accuracy of financial reporting.	*"Starting January 2004, UNOPS has distributed to the project countries their specific budgets with the budget lines clearly indicated, and has underscored the need to abide by these. Expenditure charged is counterchecked by UNOPS to ensure that it has been properly charged and coded."*	*"Monthly"*	*"Use of internal ESARO financial reports as unable to report through Atlas."*